

Revocable Living Trust

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There are three participants to every trust:

1. the individual who creates the trust, known as the Grantor;
2. the individual who manages the trust and assets owned by the trust, known as the Trustee; and,
3. the individual who receives the benefit of all the assets in the trust, known as the Beneficiary.

Any legal arrangement that has these three participants - a creator, a manager and a beneficiary - is a trust.

When you create your trust, you are all three - you are the grantor, the trustee and the beneficiary. You create your trust and name yourself to manage your trust for your own personal benefit. One way to look at your trust document is simply as the instructions you are giving to yourself.

Once your trust document is created, you must formally change title to all your assets. Your trust can only control the assets that it "owns". You transfer ownership from yourself as an individual, to yourself as trustee of your trust. This process of transferring ownership is known as "funding" your trust.

From a legal standpoint, once you transfer your assets into your trust, you no longer hold title to anything; since your assets are inside the trust. However, even though you have relinquished ownership of your assets you still control those same assets. Your control of those assets is the same as before you put them into your trust. As trustee of your trust, you still have power to buy, sell, transfer, borrow, and do whatever you wish with "your" assets.

Note: To avoid probate it is essential that all your assets be placed in (i.e., funded) your trust. The only exception is Qualified Plan Assets - IRA, 401k, 403b plans - for income tax purposes, it is prudent that these assets be owned by you individually, not as trustee of your trust. The beneficiary designation will ensure these assets avoid probate. If you are married, name your spouse as primary beneficiary and your trust as the contingent beneficiary or secondary beneficiary.

In your trust you name a successor trustee. This is the person who will manage your trust, and the assets owned by your trust, upon your death or incompetence.

The concept is quite simple, at your death, you do not own any assets, (as you have transferred all your assets to your living trust during your lifetime), so you have no assets subject to probate. Huge savings of time and money. At your death, the administration of your affairs simply passes to your successor trustee without any public fanfare or governmental oversight.

Your successor trustee must be of legal age. Your successor trustee serves in a fiduciary capacity. This means that, in all matters relating to the trust and your assets, the successor trustee must act with prudence and strictly in accordance with all instructions outlined in your trust.